

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON SCIENCE AND TECHNOLOGY

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April 26, 2007

The Honorable Samuel Bodman
Secretary
U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

Dear Secretary Bodman:

As Chairman of the Science and Technology Committee with jurisdiction over energy research, development and demonstration and commercial application of energy technologies, I am writing to urge the Department to promulgate regulations to implement the Loan Guarantee Program (LGP) authorized in Title XVII of the Energy Policy Act of 2005 (EPACT '05) that set out clearly-defined objectives and outcomes for the program including a strategy to successfully manage the financial risk to the government.

As you know, the Fiscal Year 2007 Continuing Resolution (CR) was signed into law on February 15, 2007, and directs the Department to promulgate final regulations for the LGP within six months of its enactment. Because I believe this program will help to advance investment in new, innovative energy-technology projects, it is my expectation that the Department will meet the timeline established in the CR for the promulgation of the LGP regulations. In addition, I expect that the Department will solicit public comments on the draft regulations so that the established program is effective and responsible. As you know, there is incredible interest in this loan guarantee program and I intend to monitor carefully the Department's progress to implement the LGP.

As you move forward with the LGP regulations, I respectfully request answers to the questions outlined below:

- How will management of the LGP be structured within the Department? Will the process be centralized with appropriate technical input from the offices with specific expertise in a designated policy area such as Fossil Energy, Nuclear Energy, EERE?
- Please explain how the Department is managing its loan volume cap. If the project cost of the facility is estimated to be \$1 billion can you assure me that an

applicant's loan guarantee amount will be 80% of that cost or \$800 million? Additionally, will the pre-applications received by DOE last year be the only applications considered for the \$4 billion loan guarantee authority included in the Fiscal Year 2007 CR? When will DOE respond to the pending pre-applications? And, it is my understanding that the Department was working with a \$2 billion budget in 2006 when it solicited loan pre-applications. Does the Department now anticipate issuing guarantees for up to \$6 billion in loans this fiscal year?

- Will the Department's regulations include detailed criteria for selecting projects for loan guarantees beyond those established in EPACT '05? Will the Department also establish outcome measures to meaningfully determine the effectiveness of the program?
- I understand that a charter for a credit review board has been issued and officials from within the Department have been designated to serve on the board. Please describe what steps the Department took to ensure the board includes members who understand financial markets? How much risk per project and in the aggregate will the Department accept? What will constitute a default by a borrower? Who will determine when a borrower is in default of a loan? What procedures will the Department set to estimate the administrative and subsidy costs for the LGP? Will the Department implement procedures to recover these costs from the borrowers?
- What mechanisms will the Department put in place to monitor loan and lender performance?
- What procedures will the Department implement to ensure that there are no lengthy delays in the project approval process? More specifically, will the application process be a standardized process?
- The Department's web page outlines the technologies represented by the pre-application process. Will the Department set a limit on the total number of loans to be guaranteed? If so, is it the intention of the Department to establish targets for the number of eligible projects in certain technology categories? Again, if so, would you please share with me those categories and the number of loans to be guaranteed in each category?
- Electricity from new nuclear generation will surely be a part of our country's energy future. However, the construction of facilities that demonstrate next generation nuclear technologies carry a very high cost. Recognizing the high cost of these projects, how does the Department plan to address loan guarantees for nuclear projects? How will these efforts ensure that the private sector will be committed to participating in the loan guarantee program? What steps will the Department take to ensure that nuclear projects will have adequate financial support from this program to ensure their participation?

I appreciate your attention to my concerns. I look forward to working with you to establish a successful loan guarantee program to commercialize technologies that will result in significant reductions in carbon emissions.

Sincerely,

A handwritten signature in cursive script that reads "Bart Gordon". The signature is written in dark ink and is positioned below the word "Sincerely,".

Bart Gordon
Chairman, Committee on Science and Technology